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September 2, 2011

***Methodist Le Bonheur
Healthcare/ The West Clinic***

**Oncology Service Line
Baseline Assessment**

pwc

Strictly Private and Confidential





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September 2, 2011

Lynn Field
Vice President of Legal Services and Compliance
Methodist Le Bonheur Healthcare
1211 Union Avenue
Memphis, TN 38104

Dear Ms. Field:

Our Services were performed and this Draft Report ("Report") was developed in accordance with our engagement letter dated May 4, 2010 and are subject to the terms and conditions included therein. PricewaterhouseCoopers ("PwC") appreciates the opportunity to assist Methodist Le Bonheur Healthcare (Methodist) with evaluating the development of a Management Services Agreement for the Oncology service line. Our process incorporates facilitating and validating a detailed operational assessment, as outlined in this document, for the service line to identify key economic, operational and quality metrics to serve as the basis for the development of the management companies' compensation and incentive program. The development of the Management Agreement will utilize the results and recommendations from the Baseline Assessment to establish the business purpose of the partnership agreement and determine its compensation structure.

Our preliminary work was limited to the procedures and analysis described herein and was based only on the information made available through August 31, 2011. Accordingly, changes in circumstances after this date could affect the findings outlined in this Report. We are providing these services to you solely for your use and benefit and pursuant to a client relationship exclusively with you. This Report and all PricewaterhouseCoopers deliverables are intended solely for Methodist for their internal use and benefit and are not intended to nor may they be relied upon by any other party ("Third Party"). Neither this deliverable nor its contents may be distributed to, discussed with, or otherwise disclosed to any Third Party without the prior written consent of PricewaterhouseCoopers. PricewaterhouseCoopers accepts no liability or responsibility to any Third Party who gains access to this deliverable.

We appreciate the opportunity to assist you with this matter.

Very truly yours,

PricewaterhouseCoopers LLP

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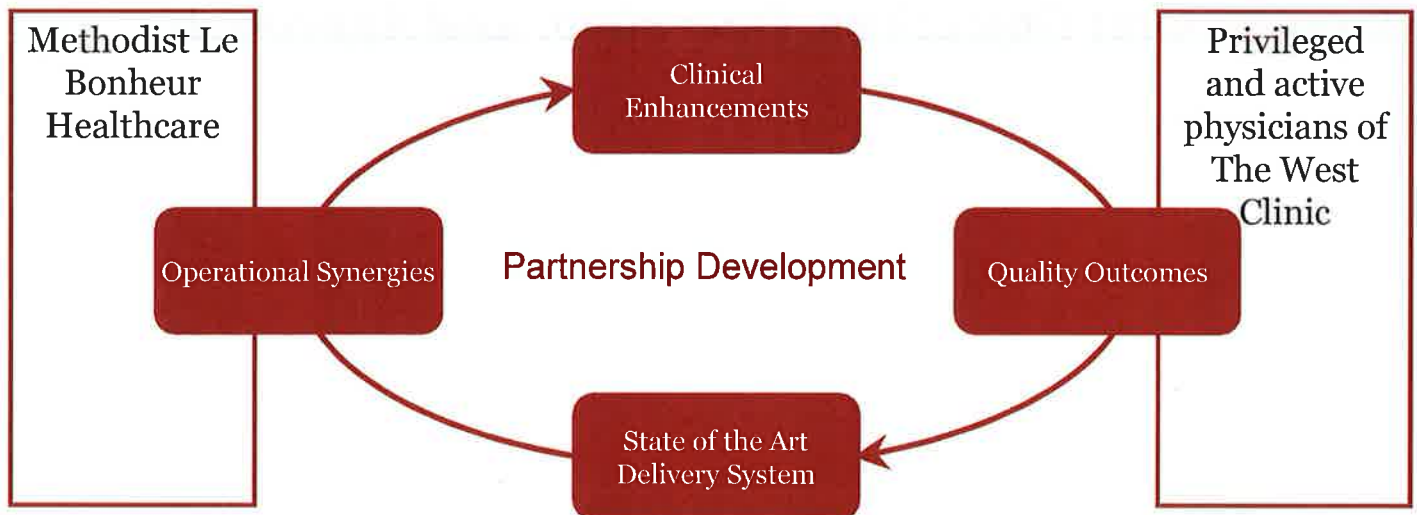


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Section 1

Engagement Objectives, Overview, and Approach

Project Objective



Assess potential strategic alignment between Methodist Le Bonheur Healthcare and the privileged and active physicians practicing at The West Clinic to meet both parties' objectives related to clinical enhancements, quality outcomes, and the development of a high quality, efficient and sustainable hospital system.

Overview of the Agreement

- Methodist Le Bonheur Healthcare and the West Clinic have proposed to partner through the development of a Management Services Agreement
 - This agreement is being developed simultaneously with an agreement to convert select West Clinic facilities to provider-based outpatient sites under the purview of Methodist
- This agreement will allow the physicians of The West Clinic to manage the Oncology service line at Methodist in an effort to foster substantive quality and operational efficiency improvements as well as pursue new program development opportunities
- The goal of the agreement is for The West Clinic and Methodist to work collaboratively to ensure the seamless integration of West Clinic facilities into the Methodist Health system as part of a larger initiative to develop a comprehensive Oncology service line

Project Overview

- PricewaterhouseCoopers (“PwC”) has performed an assessment of Oncology services and clinical programs in order to document performance as compared to peers and industry standards.
- The objective is to identify quality and performance metrics, in conjunction with the strategic plans and goals of Methodist Healthcare (“Methodist”) and The West Clinic to facilitate the development of the Management Services Agreement for the Oncology services within the proposed scope of services. This document will serve as the foundation for the incentive program for the clinical, operational, and new program development metrics as it relates to the proposed programs.
- Methods of Assessment:
 - ✓ Interviews with key hospital staff;
 - ✓ Observe functional areas (front-end and clinical operations);
 - ✓ Conduct workflow process analysis;
 - ✓ Compile a market assessment of Methodist, The West Clinic, and their competitors; and
 - ✓ Prepare overview of Methodist and The West Clinic quality measures and metrics and develop recommended incentives accordingly.

Project Approach

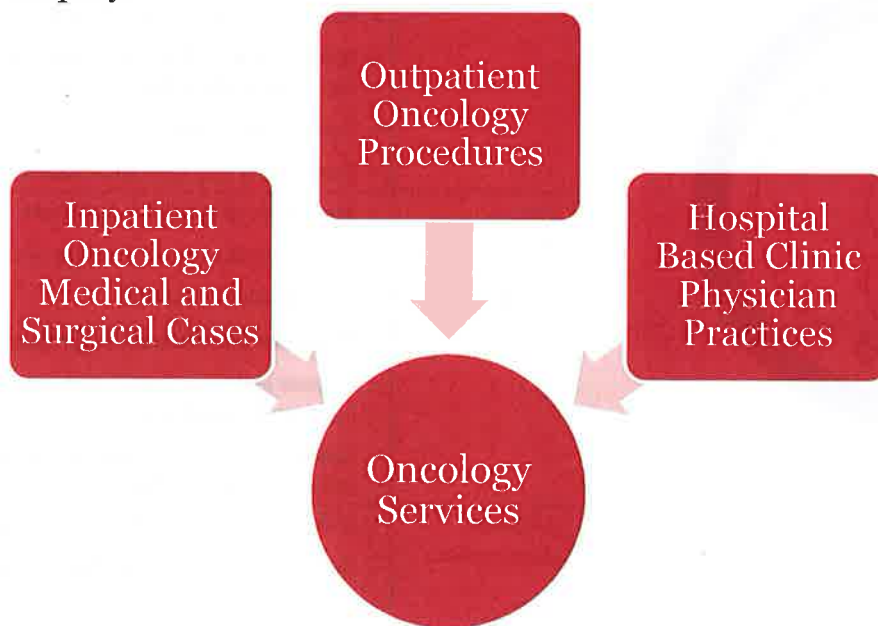
- Our approach to the Oncology service line operational assessment is outlined below and is organized by areas of review.



	Areas of focus
Operations Management	<ul style="list-style-type: none"> • Facility design and flows (patient and operational) to assess capacity • Management support systems • Assessment of the organizational structure and reporting relationships • Satisfaction (Physician, Patient, Staff) • Benchmark key clinical indicators
Clinical Management	<ul style="list-style-type: none"> • Standards of practice, protocols, and guidelines • Interrelatedness with nursing and other departments • Organizational culture • Physician involvement and relationships • Assess and benchmark turn around time, staff mix-nursing, competency • Quality outcomes management (Infection rates, readmissions, mortality, etc.)
Financial Management	<ul style="list-style-type: none"> • Service Line MS-DRG mix and statistical data • Service line financial performance

Engagement Scope

The following is a listing of general areas in which we focus our efforts when conducting our Oncology services operational assessment. Throughout the remaining Steering Committee meetings we will work with the members to determine the scope of services to be included under the umbrella of the co-management company.



Scope of Services

The following list captures the main areas of focus related Oncology Services as defined within the Scope of Services of the Management Services Agreement:

- **Inpatient Oncology Medical and Surgical Cases**
 - Provision of services related to Inpatient Oncology cases in which a West Clinic doctor is the attending physician at the following Methodist campuses:
 - Germantown, University, North, South
- **Outpatient Oncology Procedures**
 - Provision of Outpatient Oncology Services including Radiation Oncology, PET-CT, and Chemotherapy at the above listed Methodist campuses
- **Provider-Based Clinic Physician Practices**
 - Provision of Oncology services at the following four West Clinic sites which are being transitioned to provider-based outpatient clinic status as part of a parallel initiative:
 - Humphreys, Midtown, Desoto, Collierville

Section 2

Market Overview

Memphis Market Overview

Summary	Criteria	Market Dynamic
<p>Methodist Healthcare and Baptist Memorial Health Care are the two dominant systems in the Memphis market. Between Methodist's move to affiliate more closely with The West Clinic and Baptist Memorial's proposed Cancer Center, both systems are currently taking aggressive action to expand their oncology services.</p>	Market Stage	<ul style="list-style-type: none"> Baptist Memorial Health Care holds the largest share of the market with 36%. Methodist Healthcare is second with 33% of the market. Other systems with large market presences include Tenet Healthcare Corp. with 13% and Regional Medical Center at Memphis with 12% The largest physician group in the market is MetroCare Physicians with 1,326 physician members across 44 specialties. The West Clinic, the largest physician group focused on cancer care, consists of 29 physicians across 9 specialties. They operate 7 facilities in the Memphis area as well as a satellite facility in Somerville, TN.
	Market Outlook	<ul style="list-style-type: none"> There are 19 acute-care hospitals in the Memphis market with approx. 184,000 inpatient discharges annually and 4,428 acute care beds. BCBS of Tennessee and UnitedHealth Group are the HMO market leaders with 44% and 43% respectively while BCBS of Tennessee is the lone dominant PPO presence with a 38% market share. The US government is the largest employer in the market with 16,834 employees. Other large employers in the market include FedEx, the Memphis Board of Education, and the University of Tennessee,
	Methodist/ Baptist Memorial	<ul style="list-style-type: none"> Methodist Healthcare is the top earning health system in the market with a net income of \$85 million and net patient revenue of \$1.03 billion. Methodist has 6 hospitals in the market with 1,311 total beds, 23 employed physicians, and 2,000 affiliated physicians. Average occupancy is 71% and ALOS is 5.6 days. Competitor Baptist Memorial Health Care had a net income of \$45 million with net patient revenue of \$989.6 million. Baptist Memorial operates 5 hospitals in the market with 1,525 total beds. Average occupancy is 62% and ALOS is 5.2 days. Baptist Memorial is currently seeking approval for a \$65 million Cancer Center in the Germantown area

Sources: HealthLeaders Interstudy Memphis Market Overview 2011

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The West Clinic –Facilities

- The West Clinic operates 8 facilities in the Memphis area. The four bolded facilities will be included in this agreement.
 - **Humphreys**
 - **Midtown**
 - **Collierville**
 - **Desoto**
 - Somerville
 - Bartlett
 - Brighton - Consolidated facility with Memphis Heart Clinic
 - Corinth - Partnership with Magnolia Regional Health Center

Sources: Client Provided Data

The West Clinic – Service Offerings by Site

Humphreys- Bone Density, Chemotherapy Drug, CT, Drug Administration, Hospital Administration, Hospital Consults, Hospital Visits, Lab, Miscellaneous Radiology, MRI, Non-Chemotherapy Drugs, Non-Vascular, Office Consults, Office Visits, Other, PET Scans, Psychiatry, Radiation Oncology, Special Procedures, Surgery, USG, Vascular, X-Ray

Midtown- Chemotherapy Drugs, CT, Drug Administration, Hospital Administration, Hospital Visits, Lab, Non-Chemotherapy Drugs, Non-Vascular, Office Consults, Office Visits, Other, Psychiatry, Special Procedures, Surgery, X-Ray

Collierville- Drug Administration, Hospital Administration, Hospital Visits, Labs, Non-Chemotherapy Drugs, Office Consults, Office Visits, Specialty Procedures

Desoto- Chemotherapy Drugs, Drug Administration, Hospital Administration, Hospital Consults, Hospital Visits, Lab, Miscellaneous Radiology, Non-Chemotherapy Drugs, Office Consults, Office Visits, Other, Radiation Oncology, Special Procedures, Surgery, X-Ray

Sources: Client Provided Data

Methodist Le Bonheur Healthcare/ The West Clinic • Oncology Service Line Baseline Assessment
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The West Clinic - Background

- Physicians employed by The West Clinic currently include:
 - 16 Medical Oncologists,
 - 4 GYN Oncologists,
 - 2 Hospitalists,
 - 1 Hospitalist/Medical Oncologist,
 - 1 Endocrinologist
 - 1 Psychologist
- The West Clinic is currently involved in over 70 clinical trials
- The West Clinic owns Memphis Heart Clinic, a 15 cardiologist practice which generated \$20 million this year.
 - MHC is currently pursuing a PSA and Co-mgt. at Baptist, where they do most of their work.

The West Clinic – Physician List

West Clinic Physicians	
Kurt W. Tauer, MD, FACP	Hematology & Medical Oncology
Lee S. Schwartzberg, MD, FACP	Hematology & Medical Oncology
Benton M. Wheeler, MD	Hematology & Medical Oncology
Arnel M. Pallera, MD	Hematology & Medical Oncology
Bradley G. Somer, MD	Hematology & Medical Oncology
Robert A. Johnson, MD, FACP	Hematology & Medical Oncology
Jarvis D. Reed, MD	Hematology & Medical Oncology
Laura Johnetta Blakely, MD	Hematology & Medical Oncology
Sylvia S. Richey, MD	Hematology & Medical Oncology
Stephen A. Besh, MD	Hematology & Medical Oncology
Sonia M. Benn, MD	Hematology & Medical Oncology
G. Gary Tuan, MD, PhD	Hematology & Medical Oncology

Sources: Client Provided Data

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The West Clinic – Physician List

West Clinic Physicians	
Kaye Cash, MD	Hematology & Medical Oncology
Michael G Martin, MD	Hematology & Medical Oncology
David C. Portnoy, MD	Hematology & Medical Oncology
Jason C. Chandler, MD	Hematology & Medical Oncology
Linda M Smiley, MD, FACOG	Gynecologic Oncology
Mark E. Reed, MD, FACOG	Gynecologic Oncology
Joseph T. Satnos, MD, FACOG	Gynecologic Oncology
Todd D. Tillmanns, MD, FACOG	Gynecologic Oncology
Genaro M. Palmieri, MD	Endocrinology
William A. Lankford, MD	Diagnostic Radiology
Scott L. Baum, MD	Diagnostic & Interventional Radiology
Thomas D. Hodgkiss, MD	Diagnostic & Interventional Radiology

Sources: Client Provided Data
 Methodist Le Bonheur Healthcare/ The West Clinic • Oncology Service Line Baseline Assessment
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The West Clinic – Physician List

West Clinic Physicians	
William R. Richli, MD	Diagnostic & Interventional Radiology
Seth Ian Kaufman, MD	Pain Management
Anita L. Arnold, MD	Hospitalist
Katherine Allan, MD	Hospitalist
Janice P. Pazar, RN, PhD, HSP	Clinical Psychology

Methodist Le Bonheur Healthcare - Background

- Methodist Le Bonheur Healthcare is one of the two major hospital systems in the Memphis market area along with Baptist Memorial Health Care
- Methodist operates six acute-care hospitals throughout Memphis, Germantown, and Somerville
 - The flagship campus is Methodist University Hospital located in midtown Memphis
- Methodist Germantown does not currently have an organized oncology service line and is pursuing expansion through its alignment with The West Clinic
- Methodist University Hospital's Blood and Marrow Transplant Center is designated a Blue Distinction Center by BCBS for adult bone marrow/stem-cell transplants

Section 3

Executive Summary of Overall Baseline Assessment

Executive Summary / SWOT Analysis

- The table below illustrates a SWOT summary of the current state of Oncology services at Methodist and The West Clinic

Strengths

- West Clinic operates on Mosaiq EMR
- West Clinic has a strong research and clinical trial presence
- West Clinic is the most prominent oncology group in the market
- West Clinic is currently actively involved in QOPI and PQRI reporting
- The alignment discussion process has fostered a good relationship between Methodist and The West Clinic

Weaknesses

- Timeliness of completed physician dictation times could be improved
- Patient Satisfaction surveys are conducted infrequently at The West Clinic
- Patient wait times are frequently cited as an issue at The West Clinic
- Methodist Germantown lacks a dedicated Oncology IP unit

Opportunities

- Development of patient navigation program
- Development of survivorship program
- Involvement of radiation oncology in agreement
- Decrease in transcription time
- Development of Methodist Germantown Tumor Board

Threats

- Baptist Memorial has plans to collaborate with other Memphis area oncologists in construction of comprehensive cancer center
- Some referral streams, particularly surgery, may be put at risk with move away from Baptist
- Methodist-based referral streams are underdeveloped

Section 4

Interview Highlights and Operational Observations

Interview List

- Interviews were conducted with key constituents within The West Clinic and Methodist including key management, staff, and physicians who provided an in-depth insight and understanding of The West Clinic and Methodist oncology services from a market, clinical and operational perspective

The West Clinic	Methodist Le Bonheur Healthcare
Erich Mounce – CEO	Gary Shorb – CEO
Traci Hampton – Site Director, DeSoto	Donna Abney – Executive VP
Melissa Williams – Site Director, Humphreys	Chris McLean – Executive VP of Finance
Robin Wachsman – VP, Clinical Services	Lynn Field – VP of Legal Services and Compliance
Melissa Speer – Director, EMR	
Dr. Lee Schwartzberg	
Dr. Kurt Tauer	
Dr. Arnel Pallera	
Dr. Bradley Somer	

Please note: The interviews conducted provide a baseline of existing operations, current issues, and opportunities for Methodist to improve performance across clinical, quality, operational, and financial parameters from the perspective of the interviewees. Actual data and analyses provided by Methodist may differ from the perspectives provided through interviews.

Clinical Quality

- The West Clinic provides appropriately trained staff and physician support to manage medical emergencies in the onsite until 911 responders arrive
- All nurses are OCN certified or achieve certification within 2 years. All nurses are ACLS certified
- Some standardized care plans / protocols are currently in place (particularly related to UHC and BCBS insured patients); however there is interest in continuing to standardize care plans as well as increase accountability for compliance
- The West Clinic has a robust offering of clinical trials; however there is interest in formalizing and tracking how patients are screened for eligibility
- Physicians are interested in participating in Oncology specific education for inpatient nursing staff
- West Clinic's Mosaiq EMR is leveraged by physicians to self-assess their EMR performance based on the accurate EMR documentation of diagnosis, staging, dictation and orders

Clinical Quality

- While Oncotyping regularly occurs for appropriate tumor types, there is not currently an order set or protocol to facilitate the process or track compliance
- There is interest in developing written patient-specific treatment plans
- At this time, standardized criteria for transfusion is not in place
- At this time, standardized discharge criteria by admitting diagnosis is not in place for inpatient oncology
- At this time, inpatient chemotherapy order sets are not available
- There is interest in developing and tracking metrics related to end of life and/or palliative care
- There is an opportunity with improved West Clinic physician support, to evolve the Methodist Germantown Tumor Board

Operational Performance

- Physicians would like to continue to use operational best practices currently adopted from The West Clinic
- Currently the West Clinic holds physicians accountable for a 21-day completion of dictation; however there is interest in exploring a financial incentive to reward physicians who complete dictation within 72 hours of patient encounter
- There is a desire from multiple leadership stakeholders to decrease patient wait times.
 - Excessive wait times are believed to stem from work flow and facility design issues.
 - Time to available appointment is not recognized as a problem
 - The clinic currently utilizes block scheduling
 - Chemo is scheduled by chair but not assigned to a chair; Patient is assigned to a chemo team
 - Overflow chairs mitigate risk of overbooking chemotherapy chairs

Sources: Client Interviews

Methodist Le Bonheur Healthcare/ The West Clinic • Oncology Service Line Baseline Assessment

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Operational Performance

- The West Clinic would like to maintain its services for indigent patients
- Historically, West Clinic has strongly aligned to the Pathology department at Baptist; as part of this relationship, there is interest in developing similar ties to Pathology within Methodist
- With the improved partnership with Methodist, The West Clinic would like to explore opportunities to better integrate inpatient and outpatient services
- At this time, Methodist Germantown does not have a dedicated Oncology Inpatient Unit

Sources: Client Interviews

Methodist Le Bonheur Healthcare/ The West Clinic • Oncology Service Line Baseline Assessment
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Patient Satisfaction

- Historically the West Clinic has performed ad hoc patient satisfaction surveys; however, this has not been done on a routine or regular basis. There is interest in developing an outpatient patient satisfaction tool/program in order to appropriately gather satisfaction information regularly and set improvement goals
- At this time, Methodist Germantown does not parse out the patient satisfaction that is impacted by West Clinic physicians

Sources: Client Interviews

Methodist Le Bonheur Healthcare/ The West Clinic • Oncology Service Line Baseline Assessment
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Program Development

- There is interest in developing multidisciplinary interactions to facilitate treatment planning/updating
- The West Clinic would like to see the integration of Radiation Oncologists to create a more comprehensive offering.
- Physicians are interested in establishing a Concierge Medicine / Patient Navigation Program
- There is interest in establishing a formal Survivorship Program
- Clinical trials at The West Clinic leverage a separate but affiliated entity known as ACORN, which provides CRO, regulatory, budgeting, contracting, project management, and data services

Sources: Client Interviews

Methodist Le Bonheur Healthcare/ The West Clinic • Oncology Service Line Baseline Assessment
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Program Development

- At this time, surgeons who partner with oncologists are independent of both the West Clinic and Methodist; however there is interest in creating a business strategy to formally align with surgeon partners
- There is a long term goal of co-locating cancer services to include surgical, medical, and radiation oncology as well as key diagnostics.
- The West Clinic would like to provide input in the Methodist Olive Branch planning related to oncology services
- There is interest in transitioning from each medical oncologist acting as a generalist to a more tumor site-specific specialization

Sources: Client Interviews

Methodist Le Bonheur Healthcare/ The West Clinic • Oncology Service Line Baseline Assessment
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Accreditation Requirements

- The West Clinic is interested in setting specific goals directed to meet and exceed approval from the Joint Commission as it transitions to a Provider-Based Outpatient Service
- The West Clinic actively participates in QOPI and is interested in integrating some improvement initiatives within future incentives
- The West Clinic actively reports PQRI and plans to continue to hold itself accountable to these quality indicators

Sources: Client Interviews

Methodist Le Bonheur Healthcare/ The West Clinic • Oncology Service Line Baseline Assessment
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Financial Management

- Physicians would like incentives to be structured so that they are aggressive, yet attainable for each physician.
- There is opportunity to improve the consistency of charge capture related to inpatient consults

Sources: Client Interviews

Methodist Le Bonheur Healthcare/ The West Clinic • Oncology Service Line Baseline Assessment
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Impacts Post-Transaction

- The physicians have greatly valued the time and attention Methodist leadership has dedicated to this process, and would like this level of partnership to continue post-transaction.
- West Clinic physicians have valued their autonomy and practice and would like definitive understanding of how this may be impacted post-transaction.
- There is great pride in the West Clinic brand and it is desired for it to continue to be strengthened and leveraged as a result of this relationship
- As this relationship evolves, it will be important to understand how, if at all, the Methodist-UTCI relationship creates an impact
- At this time, the majority of referring surgeons practice at Baptist. It is imperative that a similar surgical referral base is available at Methodist before any transition of inpatient services is practical
- The West Clinic typically manages 35 - 60 inpatients. Before any of this population would transition from current sites to Methodist sites, infrastructure of equivalent sophistication is required

Section 5

Financial Data Analysis and Assessment

The West Clinic – 2010 Net Revenue: Included Sites

- The Humphreys location accounts for approximately 70% of the revenue of the included sites

	Humphreys	Desoto	Mid-town	Collierville	Total Included
Chemo Drug	\$ 33,993,571	\$ 8,717,878	\$ 5,664,267	\$ -	\$ 48,375,717
NC Drugs	\$ 16,362,837	\$ 4,975,270	\$ 4,510,970	\$ 202,614	\$ 26,051,692
Fac Fee	\$ 4,090	\$ -	\$ -	\$ -	\$ 4,090
Drug Admin	\$ 5,305,905	\$ 1,399,758	\$ 1,177,126	\$ 5,745	\$ 7,888,534
Office Vis	\$ 4,065,814	\$ 1,038,206	\$ 762,052	\$ 58,412	\$ 5,924,484
Lab	\$ 3,298,083	\$ 641,670	\$ 380,532	\$ 12,768	\$ 4,333,052
Office Con	\$ 602,127	\$ 148,166	\$ 137,440	\$ 22,872	\$ 910,606
Hosp Vis	\$ 1,071,577	\$ 232,530	\$ 305,628	\$ 1,779	\$ 1,611,514
Spec Proc	\$ 224,834	\$ 31,258	\$ 83,732	\$ 1,463	\$ 341,287
Hosp Con	\$ 64,651	\$ 27,746	\$ 16,948	\$ 244	\$ 109,589
Hosp Adm	\$ 200,249	\$ 48,918	\$ 55,254	\$ 0	\$ 304,422
Surgery	\$ 963,483	\$ 8,623	\$ 754,274	\$ -	\$ 1,726,380
Other	\$ 369,845	\$ 4,250	\$ 5,690	\$ 20	\$ 379,805
Supplies	\$ 883,132	\$ 74,312	\$ 49,369	\$ -	\$ 1,006,813
Xray	\$ 79,457	\$ 19,283	\$ 7,717	\$ -	\$ 106,457
Nonvasc	\$ 284,427	\$ -	\$ 2,778	\$ -	\$ 287,204
CT	\$ 6,276,404	\$ 1,241,233	\$ 925,553	\$ -	\$ 8,443,190
PET	\$ 3,247,785	\$ -	\$ -	\$ -	\$ 3,247,785
Rad Onc	\$ 1,101,953	\$ 481,261	\$ 193	\$ -	\$ 1,583,406
MRI	\$ 1,006,162	\$ -	\$ -	\$ -	\$ 1,006,162
Vasc	\$ 433,286	\$ -	\$ 1,727	\$ -	\$ 435,012
Misc Rad	\$ 226,116	\$ 84,553	\$ 93	\$ -	\$ 310,762
USG	\$ 258,401	\$ -	\$ 3	\$ -	\$ 258,405
Bone Density	\$ 124,587	\$ -	\$ -	\$ -	\$ 124,587
Psych	\$ 53,814	\$ -	\$ 11,792	\$ -	\$ 65,606
Oral Drugs	\$ -	\$ 26	\$ -	\$ -	\$ 26
TOTAL	\$ 80,502,588	\$ 19,174,943	\$ 14,853,139	\$ 305,917	\$ 114,836,587

Sources: Client Provided Data

Methodist Le Bonheur Healthcare/ The West Clinic • Oncology Service Line Baseline Assessment

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The West Clinic – 2010 Net Revenue: Non-Included Sites

- The West Clinic facilities not included in the agreement account for approximately 11% of The West Clinic's total revenue

	Bartlett	Brighton	Corinth	Somerville	ASTC	Total Not Included
Chemo Drug	\$ -	\$ 2,373,572	\$ 4,521,720	\$ 265,062	\$ -	\$ 7,160,353
NC Drugs	\$ 7,557	\$ 1,015,804	\$ 1,975,217	\$ 117,236	\$ -	\$ 3,115,814
Fac Fee	\$ -	\$ -	\$ -	\$ -	\$ 1,204,245	\$ 1,204,245
Drug Admin	\$ 261	\$ 315,543	\$ 808,211	\$ 29,045	\$ 770	\$ 1,153,830
Office Vis	\$ 3,731	\$ 174,724	\$ 402,569	\$ 15,742	\$ -	\$ 596,767
Lab	\$ 622	\$ 136,503	\$ 241,433	\$ 3,304	\$ -	\$ 381,861
Office Con	\$ 1,672	\$ 21,282	\$ 30,657	\$ 4,448	\$ -	\$ 58,060
Hosp Vis	\$ 4,705	\$ -	\$ 21,951	\$ -	\$ -	\$ 26,655
Spec Proc	\$ 319	\$ 4,139	\$ 15,001	\$ 277	\$ -	\$ 19,736
Hosp Con	\$ 1,490	\$ -	\$ 3,888	\$ -	\$ -	\$ 5,378
Hosp Adm	\$ 790	\$ -	\$ 4,109	\$ -	\$ -	\$ 4,899
Surgery	\$ -	\$ -	\$ 3,076	\$ -	\$ -	\$ 3,076
Other	\$ -	\$ 440	\$ 1,390	\$ -	\$ -	\$ 1,830
Supplies	\$ -	\$ 222	\$ 1,245	\$ 80	\$ -	\$ 1,546
Xray	\$ -	\$ -	\$ -	\$ -	\$ 373	\$ 373
Nonvasc	\$ -	\$ -	\$ -	\$ -	\$ 99	\$ 99
CT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL	\$ 21,146	\$ 4,042,229	\$ 8,030,468	\$ 435,193	\$ 1,205,488	\$ 12,529,036

¹ Non-included sites produced no revenue for all other procedures

Sources: Client Provided Data
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The West Clinic – 2011 YTD (Jan-July) Net Revenue: Included Sites

- Distribution of 2011 revenue by site and by service are in line with that of the prior year

	Humphreys	Desoto	Mid-town	Collierville	Total Included
Chemo Drug	\$ 20,493,360	\$ 5,558,366	\$ 2,802,776	\$ -	\$ 28,854,501
NC Drugs	\$ 9,563,840	\$ 3,758,622	\$ 2,356,474	\$ 90,972	\$ 15,769,908
CT	\$ 3,355,969	\$ 651,825	\$ 406,286	\$ -	\$ 4,414,080
Drug Admin	\$ 2,957,303	\$ 957,353	\$ 675,814	\$ 3,010	\$ 4,593,480
Office Vis	\$ 2,400,841	\$ 710,246	\$ 497,402	\$ 33,910	\$ 3,642,400
Lab	\$ 1,982,423	\$ 315,571	\$ 225,331	\$ 10,688	\$ 2,534,013
PET	\$ 1,776,683	\$ -	\$ -	\$ -	\$ 1,776,683
Surgery	\$ 555,071	\$ 4,454	\$ 462,240	\$ -	\$ 1,021,765
Hosp Vis	\$ 604,726	\$ 160,541	\$ 181,795	\$ 1,142	\$ 948,204
Rad Onc	\$ 8,912	\$ 11,331	\$ -	\$ -	\$ 20,243
Supplies	\$ 464,974	\$ 37,309	\$ 22,509	\$ -	\$ 524,792
MRI	\$ 602,263	\$ -	\$ -	\$ -	\$ 602,263
Office Con	\$ 304,642	\$ 94,325	\$ 84,367	\$ 9,528	\$ 492,863
Vasc	\$ 263,511	\$ -	\$ 699	\$ -	\$ 264,211
Other	\$ 170,084	\$ 3,115	\$ 2,884	\$ 130	\$ 176,213
Spec Proc	\$ 131,144	\$ 18,231	\$ 48,989	\$ 608	\$ 198,972
Misc Rad	\$ 136,305	\$ 38,936	\$ -	\$ -	\$ 175,241
Hosp Adm	\$ 122,126	\$ 32,494	\$ 33,323	\$ 621	\$ 188,563
Nonvasc	\$ 161,134	\$ -	\$ 737	\$ -	\$ 161,870
USG	\$ 153,275	\$ -	\$ -	\$ -	\$ 153,275
Bone Density	\$ 66,535	\$ -	\$ -	\$ -	\$ 66,535
Hosp Con	\$ 31,078	\$ 11,184	\$ 8,683	\$ -	\$ 50,945
Xray	\$ 38,346	\$ 10,627	\$ 3,491	\$ -	\$ 52,464
Psych	\$ 31,730	\$ -	\$ 7,480	\$ -	\$ 39,210
Fac Fee	\$ 2,872	\$ -	\$ -	\$ -	\$ 2,872
Oral Drugs	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 46,379,146	\$ 12,374,531	\$ 7,821,280	\$ 150,608	\$ 66,725,565

Sources: Client Provided Data

Methodist Le Bonheur Healthcare/ The West Clinic • Oncology Service Line Baseline Assessment

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The West Clinic – 2011 YTD (Jan-July) Net Revenue: Non-Included Sites

	Bartlett	Brighton	Corinth	Somerville	ASTC	Total Not Included
Chemo Drug	\$ -	\$ 1,247,097	\$ 3,069,251	\$ 3,319	\$ -	\$ 4,319,667
NC Drugs	\$ 2	\$ 595,403	\$ 1,661,705	\$ 0	\$ -	\$ 2,257,111
Fac Fee	\$ -	\$ -	\$ -	\$ -	\$ 690,544	\$ 690,544
Drug Admin	\$ 2	\$ 159,112	\$ 507,738	\$ 178	\$ -	\$ 667,029
Office Vis	\$ 15	\$ 126,877	\$ 281,838	\$ 203	\$ -	\$ 408,933
Lab	\$ 92	\$ 54,612	\$ 155,752	\$ 28	\$ -	\$ 210,484
CT	\$ -	\$ 65,919	\$ -	\$ -	\$ 764	\$ 66,683
Office Con	\$ -	\$ 17,067	\$ 16,324	\$ -	\$ -	\$ 33,391
Hosp Vis	\$ 3,834	\$ -	\$ 16,889	\$ -	\$ -	\$ 20,723
Spec Proc	\$ -	\$ 3,460	\$ 9,312	\$ -	\$ -	\$ 12,772
Supplies	\$ -	\$ 3,727	\$ 725	\$ -	\$ -	\$ 4,451
Misc Rad	\$ -	\$ 4,062	\$ -	\$ -	\$ 7	\$ 4,069
Hosp Adm	\$ 628	\$ -	\$ 2,424	\$ -	\$ -	\$ 3,052
Hosp Con	\$ 1,043	\$ -	\$ 1,620	\$ -	\$ -	\$ 2,663
Surgery	\$ -	\$ -	\$ 1,329	\$ -	\$ -	\$ 1,329
Other	\$ -	\$ 386	\$ 734	\$ 20	\$ -	\$ 1,140
Vasc	\$ -	\$ -	\$ 620	\$ -	\$ -	\$ 620
Nonvasc	\$ -	\$ -	\$ 125	\$ -	\$ 363	\$ 488
Xray	\$ -	\$ -	\$ -	\$ -	\$ 20	\$ 20
Total	\$ 5,616	\$ 2,277,720	\$ 5,726,386	\$ 3,749	\$ 691,698	\$ 8,705,170

¹ Non-included sites produced no revenue for all other procedures

Sources: Client Provided Data
Methodist Le Bonheur Healthcare/ The West Clinic • Oncology Service Line Baseline Assessment
PWC

The West Clinic – 2011 Annualized Net Revenue: Included Sites

	Humphreys	Desoto	Mid-town	Collierville	Total Included
Chemo Drug	\$ 35,131,474	\$ 9,528,628	\$ 4,804,758	\$ -	\$ 49,464,860
NC Drugs	\$ 16,395,154	\$ 6,443,352	\$ 4,039,670	\$ 155,952	\$ 27,034,128
CT	\$ 5,753,089	\$ 1,117,415	\$ 696,490	\$ -	\$ 7,566,995
Drug Admin	\$ 5,069,662	\$ 1,641,177	\$ 1,158,538	\$ 5,159	\$ 7,874,536
Office Vis	\$ 4,115,728	\$ 1,217,564	\$ 852,690	\$ 58,132	\$ 6,244,114
Lab	\$ 3,398,440	\$ 540,979	\$ 386,282	\$ 18,321	\$ 4,344,022
PET	\$ 3,045,742	\$ -	\$ -	\$ -	\$ 3,045,742
Surgery	\$ 951,550	\$ 7,635	\$ 792,411	\$ -	\$ 1,751,596
Hosp Vis	\$ 1,036,673	\$ 275,213	\$ 311,648	\$ 1,957	\$ 1,625,492
Rad Onc	\$ 15,278	\$ 19,424	\$ -	\$ -	\$ 34,702
Supplies	\$ 797,099	\$ 63,959	\$ 38,586	\$ -	\$ 899,644
MRI	\$ 1,032,451	\$ -	\$ -	\$ -	\$ 1,032,451
Office Con	\$ 522,243	\$ 161,700	\$ 144,630	\$ 16,334	\$ 844,907
Vasc	\$ 451,734	\$ -	\$ 1,199	\$ -	\$ 452,932
Other	\$ 291,572	\$ 5,340	\$ 4,944	\$ 223	\$ 302,079
Spec Proc	\$ 224,818	\$ 31,252	\$ 83,982	\$ 1,043	\$ 341,095
Misc Rad	\$ 233,667	\$ 66,747	\$ -	\$ -	\$ 300,414
Hosp Adm	\$ 209,359	\$ 55,705	\$ 57,124	\$ 1,064	\$ 323,251
Nonvasc	\$ 276,229	\$ -	\$ 1,263	\$ -	\$ 277,492
USG	\$ 262,757	\$ -	\$ -	\$ -	\$ 262,757
Bone Density	\$ 114,059	\$ -	\$ -	\$ -	\$ 114,059
Hosp Con	\$ 53,276	\$ 19,172	\$ 14,885	\$ -	\$ 87,334
Xray	\$ 65,736	\$ 18,217	\$ 5,985	\$ -	\$ 89,938
Psych	\$ 54,394	\$ -	\$ 12,822	\$ -	\$ 67,217
Fac Fee	\$ 4,923	\$ -	\$ -	\$ -	\$ 4,923
Oral Drugs	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 79,507,107	\$ 21,213,481	\$ 13,407,908	\$ 258,186	\$ 114,386,682

Sources: Client Provided Data

Methodist Le Bonheur Healthcare/ The West Clinic • Oncology Service Line Baseline Assessment

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The West Clinic – 2011 Annualized Net Revenue: Non-Included Sites

	Bartlett	Brighton	Corinth	Somerville	ASTC	Total Not Included
Chemo Drug	\$ -	\$ 2,137,880	\$ 5,261,574	\$ 5,690	\$ -	\$ 7,405,143
NC Drugs	\$ 4	\$ 1,020,691	\$ 2,848,637	\$ 0	\$ -	\$ 3,869,333
Fac Fee	\$ -	\$ -	\$ -	\$ -	\$ 1,183,789	\$ 1,183,789
Drug Admin	\$ 3	\$ 272,763	\$ 870,408	\$ 306	\$ -	\$ 1,143,479
Office Vis	\$ 26	\$ 217,503	\$ 483,151	\$ 349	\$ -	\$ 701,028
Lab	\$ 158	\$ 93,620	\$ 267,003	\$ 48	\$ -	\$ 360,829
CT	\$ -	\$ 113,004	\$ -	\$ -	\$ 1,309	\$ 114,314
Office Con	\$ -	\$ 29,258	\$ 27,984	\$ -	\$ -	\$ 57,242
Hosp Vis	\$ 6,573	\$ -	\$ 28,953	\$ -	\$ -	\$ 35,526
Spec Proc	\$ -	\$ 5,931	\$ 15,964	\$ -	\$ -	\$ 21,895
Supplies	\$ -	\$ 6,389	\$ 1,242	\$ -	\$ -	\$ 7,631
Misc Rad	\$ -	\$ 6,963	\$ -	\$ -	\$ 13	\$ 6,975
Hosp Adm	\$ 1,077	\$ -	\$ 4,155	\$ -	\$ -	\$ 5,232
Hosp Con	\$ 1,788	\$ -	\$ 2,777	\$ -	\$ -	\$ 4,565
Surgery	\$ -	\$ -	\$ 2,279	\$ -	\$ -	\$ 2,279
Other	\$ -	\$ 662	\$ 1,258	\$ 34	\$ -	\$ 1,954
Vasc	\$ -	\$ -	\$ 1,063	\$ -	\$ -	\$ 1,063
Nonvasc	\$ -	\$ -	\$ 214	\$ -	\$ 623	\$ 837
Xray	\$ -	\$ -	\$ -	\$ -	\$ 34	\$ 34
Total	\$ 9,628	\$ 3,904,663	\$ 9,816,662	\$ 6,427	\$ 1,185,768	\$ 14,923,148

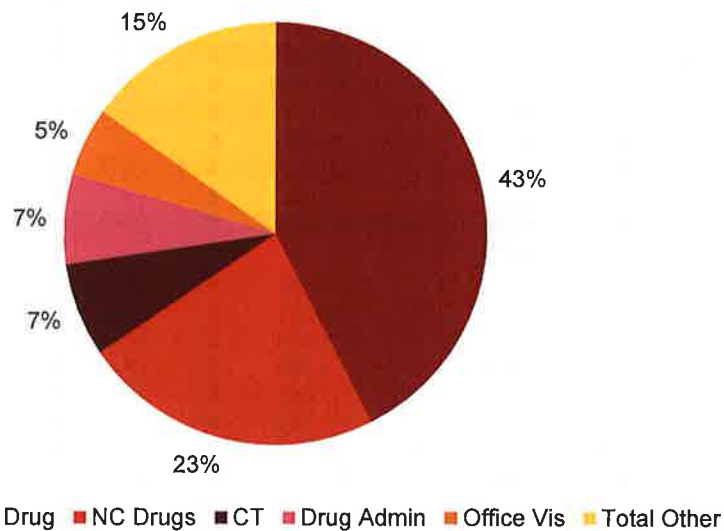
¹ Non-included sites produced no revenue for all other procedures

Sources: Client Provided Data
Methodist Le Bonheur Healthcare/ The West Clinic • Oncology Service Line Baseline Assessment
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The West Clinic – Net Revenue by Procedure

- Chemotherapy and non-chemotherapy drugs accounted for 66% of The West Clinic's net revenue in the 2010-2011YTD period

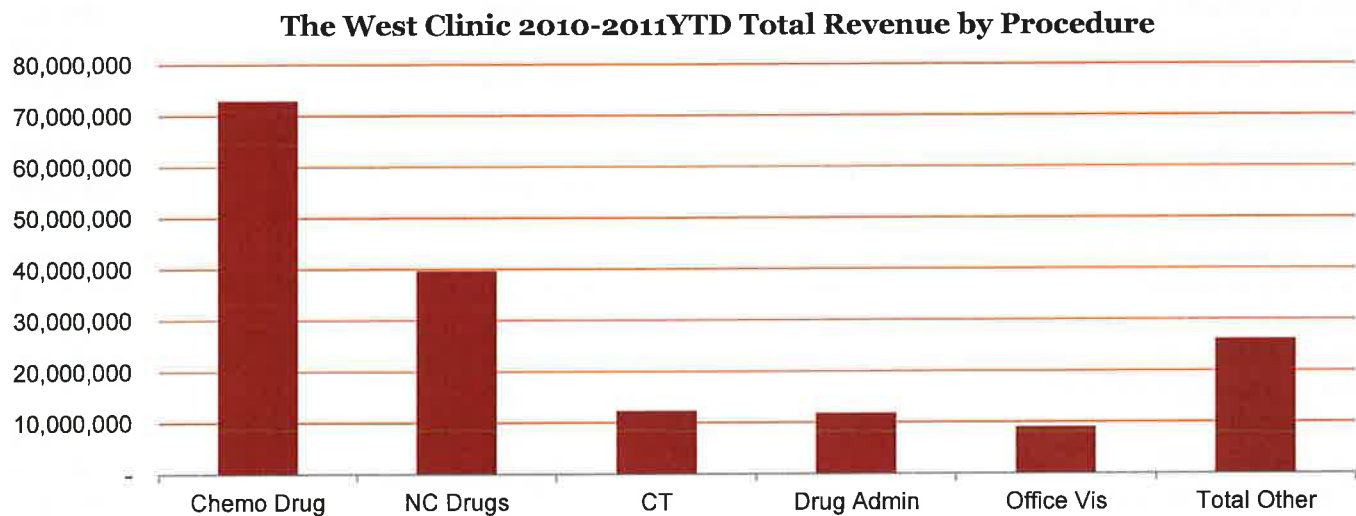
**The West Clinic 2010-2011YTD
Top Procedures as % of Total Revenue**



Sources: Client Provided Data
Methodist Le Bonheur Healthcare/ The West Clinic • Oncology Service Line Baseline Assessment
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The West Clinic – Net Revenue by Procedure

- Chemotherapy and non-chemotherapy drugs together produced over \$112 million in net revenue for The West Clinic in the 2010-2011YTD period



Sources: Client Provided Data
Methodist Le Bonheur Healthcare/ The West Clinic • Oncology Service Line Baseline Assessment
PwC

Methodist Oncology Inpatient Revenue

- The following revenue numbers pertain to 2010 inpatient cases at all Methodist campuses where a West Clinic doctor was listed as the attending physician

Attending Dr.	Cases	Net Revenue	Net Revenue based from CIGNA rebasing
BESH, STEPHEN A	31	559,808	569,337
CASH, DARLENE KAYE	2	1,479	3,722
JOHNSON, ROBERT A	16	141,489	168,086
MARTIN, MICHAEL G	163	2,002,646	2,092,568
PALLERA, ARNEL MOLINA	4	33,950	28,273
PORTNOY, DAVID C	110	1,125,666	1,154,738
REED, JARVIS D	148	1,662,579	1,669,302
REED, MARK EDWARD	32	230,707	306,481
SANTOSO, JOSEPH T	280	2,367,847	2,643,985
SCHWARTZBERG, LEE S	4	46,013	44,924
SMILEY, LINDA M	117	1,187,739	1,281,793
SOMER, BRADLEY GRANT	4	31,063	41,037
TAUER, KURT W	1	10,407	10,407
TIAN, GANG GARY	27	591,275	556,607
TILLMANN, TODD DAVID	136	1,265,142	1,355,346
Grand Total		\$11,257,810	\$11,926,607

Sources: Client Provided Data
 Methodist Le Bonheur Healthcare/ The West Clinic • Oncology Service Line Baseline Assessment
 PwC

Methodist Oncology Outpatient Revenue

- Revenue for the Methodist outpatient oncology services identified based on the proposed scope of the management agreement is approximately \$28,250,000.
- Radiation oncology makes up approximately 60% of this total

Service Offering	2010 Revenue	% of Total
University Hospital Radiation Therapy	8,199,531	29%
Germantown Radiation Therapy	8,434,782	30%
PET-CT	1,954,886	7%
Chemotherapy	9,663,843	34%
Total	\$28,253,044	100%

Section 6

Operational and Quality Data Analysis & Assessment

The West Clinic

ASC Procedures with Pre-Assessments

- The West Clinic physicians performed pre-procedure assessments for 59.8% of ASC procedures

ASC Procedures with Pre-Assessments		
	Assessment Performed	
	No	Yes
32406 Lung or mediastinum perc needle	35	46
32421 Thoracentesis	11	43
36561 Insertion PAC via Jugular Vein	67	81
36582 Replacement PAC via same site	0	2
36590 Removal PAC	16	21
38505 Lymph node biopsy	14	34
47000 Biopsy liver, needle, perc	23	21
60100 Thyroid Biopsy perc core needle	5	6
Total	171	254
	40.2%	59.8%

Sources: Client Provided Data
Methodist Le Bonheur Healthcare/ The West Clinic • Oncology Service Line Baseline Assessment
PwC

The West Clinic Radiology Orders with Assessments

- 52.2% of The West Clinic's radiology orders were assessed. The remaining 47.8% were missing assessment.

Radiology Orders/ Assessments	
Total Radiology Orders = 6456	
Total Assessed	Total Not Assessed
3371	3085
52.2%	47.8%

The West Clinic

Office Visits with Transcribed Document within 21 Days

- The West Clinic physicians score well against the current 21 day transcription deadline with 93% of office visits transcribed within the allotted time

Total Office Visits = 19,174		
	Total Doc Exist ¹	Total No Doc Exist ²
	17,747	1,427
Percentage	93%	7%

¹ Signifies office visits with transcribed document within 21 days

² Signifies office visits without transcribed document within 21 days

The West Clinic

QOPI Measures

- The West Clinic fell short of target levels in the following highlighted QOPI metrics

#	Measure (%)	The West Clinic, PC Spring 2011		
		Num	Denom	Rate
2	Staging documented within one month of first office visit	38	50	76.00%
15	Patient consent documented in practitioner note	10	35	28.57%
17	Chemotherapy treatment summary completed within 3 months of chemotherapy end	1	22	4.55%
18	Chemotherapy treatment summary provided to patient within 3 months of chemotherapy end	1	22	4.55%
19	Chemotherapy treatment summary provided or communicated to practitioner(s) within 3 months of chemotherapy end	0	22	0.00%
20	Chemotherapy treatment summary process completed within 3 months of chemotherapy end (defect-free measure, 17, 18, and 19)	0	22	0.00%
30	Baseline iron stores documented within 90 days prior to administration of ESAs	0	2	0.00%
31	Hemoglobin < 10 g/dL documented within 2 weeks prior to administration of ESAs	1	2	50.00%
32	Appropriate documentation prior to administration of ESAs (defect-free measure, 30 and 31)	0	2	0.00%

Sources: Client Provided Data
Methodist Le Bonheur Healthcare/ The West Clinic • Oncology Service Line Baseline Assessment
PwC

The West Clinic

QOPI Measures cont.

- The West Clinic fell short of target levels in the following highlighted QOPI metrics

#	Measure (%)	The West Clinic, PC		
		Spring 2011		
		Num	Denom	Rate
34	Fertility preservation options discussed or referral to specialist	0	3	0.00%
49	breast cancer documented (defect-free measure, 49a-49d) (Test Measure)	2	10	20.00%
49c	Age at diagnosis documented for each blood relative noted with cancer (Test Measure)	2	6	33.33%
49d	Family structure for first-and second-degree blood relatives documented (Test Measure)	4	10	40.00%
2	Staging documented within one month of first office visit	1	2	50.00%
4	Pain intensity quantified by second office visit	1	2	50.00%
4a	Pain intensity quantified by second office visit (Includes documentation of no pain)	1	2	50.00%
6	Pain addressed appropriately (defect-free measure, 3, 4, and 5)	1	2	50.00%
15	Patient consent documented in practitioner note	0	1	0.00%
22	Smoking cessation counseling recommended to cigarette smokers by second office visit	0	2	0.00%
23	Smoking cessation administered appropriately (defect-free measure, 21 and 22)	0	2	0.00%

Sources: Client Provided Data
 Methodist Le Bonheur Healthcare/ The West Clinic • Oncology Service Line Baseline Assessment
 PwC

The West Clinic Queuing Analysis

- The West Clinic currently has the capability to run reports that calculate patient arrival time relative to appointment time and total time
- At this time the report does not subtract procedure times from the assessment of wait time, resulting in reported wait times that are exaggerated
- The below report shows results from one AM reporting period and may not be representative of overall wait time averages

Location	Early(+)/Late(-)	Total Time	Wait Time
HUM-CT	32.38	40.81	40.81
HUM-DEXA	74.37	26.4	26.4
HUM-MRI-01	50.26	76.99	76.99
HUM-PATSERV1	0.26	5.86	5.86
HUM-PET-01	61.7	141.16	141.16
HUM-PHLEB-01	6.47	30.55	30.55
HUM-PROCEDUREROOM	64.83	104.42	104.42
HUM-RAY-01	-2.1	21.7	21.7
HUM-TX2 PHLEB	-17.9	12.08	12.08
HUM-US-01	21.59	28.2	28.2
HUMPHREYS Total	17.88	59.26	59.26

Sources: Client Provided Data
 Methodist Le Bonheur Healthcare/ The West Clinic • Oncology Service Line Baseline Assessment
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The West Clinic Queuing Analysis cont.

- The West Clinic can also determine wait time by physician though the previously indicated limitations apply to this data set as well
- The below report shows results from one AM reporting period and may not be representative of overall wait time averages

	Early(+)/Late(-)	Total Time	Wait Time
Doctor 1	14.57	54.84	54.84
Doctor 2	-8.52	49.73	49.73
Doctor 3	17.79	51.98	51.98
Doctor 4	-2.09	53.1	53.1
Doctor 5	42.03	1.82	1.82
Doctor 6	5.64	62.8	62.8
Doctor 7	23.49	86.59	86.59
Doctor 8	12.01	91.59	91.59

Methodist Inpatient Length of Stay West Clinic Physicians

- Average length of stay is 6.3 days for all Methodist Inpatient cases where West Clinic doctors were the attending physician

Physician	ALOS
Doctor 1	8.94
Doctor 2	7.00
Doctor 3	5.94
Doctor 4	7.71
Doctor 5	8.25
Doctor 6	6.27
Doctor 7	11.30
Doctor 8	4.06
Doctor 9	4.74
Doctor 10	4.75
Doctor 11	4.44
Doctor 12	5.25
Doctor 13	3.00
Doctor 14	8.63
Doctor 15	3.55
Grand Average	6.30

Sources: Client Provided Data

Methodist Le Bonheur Healthcare/ The West Clinic • Oncology Service Line Baseline Assessment

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Section 7

Patient Satisfaction Analysis and Assessment

Patient Satisfaction – Current State Methodist

- Methodist Germantown currently does not parse out patient satisfaction information for West Clinic physicians
- The opportunity exists to develop both a more sophisticated patient satisfaction assessment at the inpatient level as well as more regular and comprehensive surveys at the outpatient level

Patient Satisfaction – Current State West Clinic

- The West Clinic currently conducts physician satisfaction surveys on an ad hoc basis
 - These surveys are conducted with the aid of third party organizations
 - The surveys are designed to be physician specific
 - The most recent of these surveys was conducted in May 2008 by Sullivan/Luallin at which time the West Clinic's mean performance for each category of questions was as follows below
 - While all average mean scores were below the National Oncology/Hematology Database benchmark, all scores also showed improvement over the previous survey

Average Mean Scores			
	Current	Previous	Benchmark
Your Visit With the Provider	4.62	4.52	4.63
Our Staff	4.57	4.56	4.66
Our Facility	4.48	4.41	4.52
Our Communication With You	4.36	4.29	4.43
Patient Care Monitor	4.34	4.25	n/a
Your Appointment	4.27	4.07	4.39

Sources: Client Provided Data
 Methodist Le Bonheur Healthcare/ The West Clinic • Oncology Service Line Baseline Assessment
 PwC

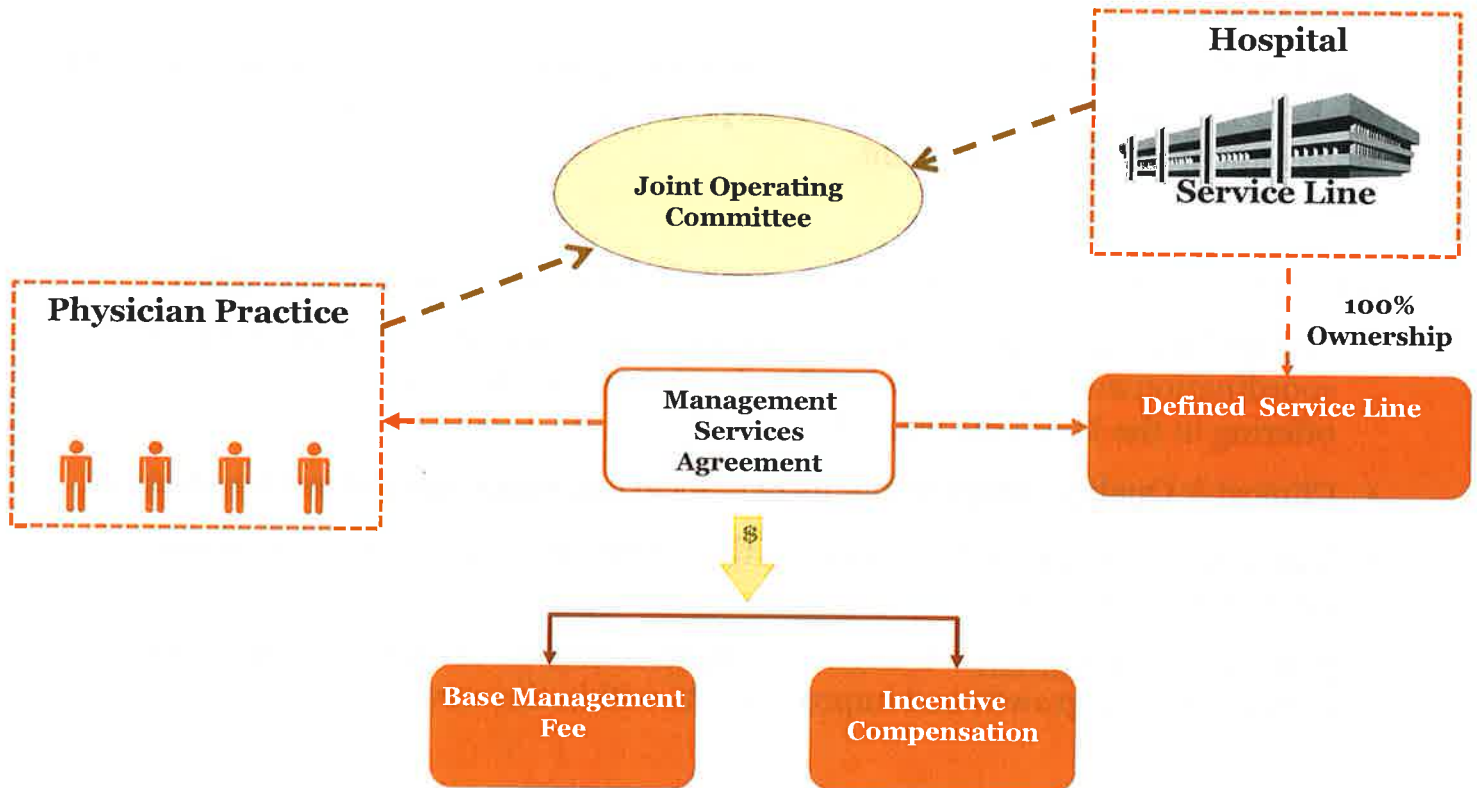
Section 8

Recommendations / Next Steps

Recommendations / Next Steps

- Based on the results of this assessment, it is our recommendation that Methodist Le Bonheur Healthcare and The West Clinic pursue a path of integration via a Management Services Agreement.
- The objectives of the proposed Management Services Agreement are as follows:
 - Service Line Expansion and Care Coordination - Increased physician/ hospital coordination and cooperation to develop a comprehensive oncology service offering in the Memphis market
 - Clinical & Quality - Improvements in clinical outcomes and patient satisfaction.
 - Operational - Improved efficiency of the management and operation of the oncology service line.
 - Program Development – Design and implementation of initiatives that will promote future growth and improvements within the service line

Management Services Agreement - Structure



Management Services Agreement – Structure

- The Hospital contracts directly with the Physician Group Practice to manage certain aspects of the Defined Service Line (as defined by the Scope of Services)
- Management Contract fees will be split 60% for Base Management Fees, and 40% for Incentive Compensation
- The Physician Group Practice would be linked directly to the Hospital via a **Joint Operating Committee** that would oversee all aspects of the service line. This Committee shall be responsible for directing and overseeing the performance of Manager's duties.
- **Base Management Fee** (60% of contract value) would compensate physicians for their time (hourly) participation in the day-to-day oversight of the service line, Board activities, and other activities required to satisfy the requirements of the management agreement.
- **Incentive Compensation** (40% of contract value) would compensate the Physician Group Practice for the achievement of specific incentive metrics.

Base Management Fee

Base Management Fee – Payable on a monthly basis from Hospital in consideration for management services provided under the contract related to the coordination and performance of the overall activities of the defined management services. The group is responsible for distribution of base management payments to the appropriate members. The base management fee is based on the expected work effort of the management services to be provided and is based on fair and reasonable market standards. Potential expectations of the Management Services' Agreement may include participation in the following:

- **Operations Committee** – preparation and attendance at meetings.
- **Medical Director Fees** – the direct oversight of the clinical aspects of the Service Line, as defined.
- **Day-to-Day Oversight and Management Responsibilities** – see the following page
- **Administration Support Services**

Base Management Fee

The day-to-day oversight component of the base management fee will be utilized to compensate Physician Group for projects related to the daily operations of the service line. The following are examples of the management responsibilities that may require time commitments from the physicians:

- Development and implementation of the service line's strategic, financial, and operational plans
- Ensuring service line compliance with applicable policies, procedures, laws and regulations, and regulatory requirements
- Supervision, evaluation, and/or training of service line staff
- Facilities management, equipment purchasing and maintenance supplies management
- Arranging for and managing service line contracted services
- Preparation of reports, including operational statistics, financial statements, and productivity reports

Incentive Compensation: Design & Development

Incentives under the Management Agreement are programs designed to reward the accomplishment for specific results. To be effective the incentives must be:

- Measurable
- Controllable
- Realistic
- Time Boxed
- Frequency of measurement and payout
 - Quarterly
 - Semi-annually
 - Annually

Potential Incentive Metrics

- The following table illustrates an initial listing of potential metrics for consideration for the Methodist / West Clinic Management Agreement

Clinical Quality	Operational Performance	Patient / Referring Physician Satisfaction	Program Development	Service Line Planning
Multidisciplinary / Multimodality Planning and Collaboration	Clinic Wait Times / Throughput Efficiencies	Development of Outpatient Patient Satisfaction Program	Surgical / Radiation Oncology Integration Planning	Formalization of Oncology-Specific Inpatient Services
Care Plan Compliance (Including BCBS and/or UHC)	Integration of Services across all Sites of Care (Inpatient & Outpatient)	Development of Referring Physician Satisfaction Program	Indigent Care Program Development	Joint Commission / Provider-Based Outpatient Services Requirements
Improvement / Maintenance of QOPI Measurements	Inpatient Charge Capture Compliance		Concierge / Patient Navigator Program Planning	Planning for Co-Location of Services
Inpatient Care Pathway Development	Dictation Turnaround Time		Tumor Site Specialization / Program Development	Capital Planning for Future Sites
Screening for Clinical Research Eligibility	Timely correspondence with referring physicians		Support Services (Social Work, Case Mgmt, etc) across all sites of care	Oncology Education for Inpatient Nursing
End of Life Metrics	Timely correspondence with collaborating oncology specialists		Development of Survivorship Program	

Clinical Quality Initiatives

Example

Improved QOPI Measures

The following table was created using the most recent quarterly QOPI report from The West Clinic and details the individual QOPI measures where The West Clinic has the most room for improvement. The Operating Committee may therefore wish to choose from among this group one or more measures as priority targets for improvement

#	Measure (%)	The West Clinic, PC Spring 2011			#	Measure (%)	The West Clinic, PC Spring 2011		
		Num	Denom	Rate			Num	Denom	Rate
2	Staging documented within one month of first office visit	38	50	76.00%	34	Fertility preservation options discussed or referral to specialist	0	3	0.00%
15	Patient consent documented in practitioner note	10	35	28.57%	49	Breast cancer documented (defect-free measure, 49a-49d) (Test)	2	10	20.00%
17	Chemotherapy treatment summary completed within 3 months of chemotherapy end	1	22	4.55%	49c	Age at diagnosis documented for each blood relative noted with cancer (Test Measure)	2	6	33.33%
18	Chemotherapy treatment summary provided to patient within 3 months of chemotherapy end	1	22	4.55%	49d	Family structure for first-and second-degree blood relatives documented (Test Measure)	4	10	40.00%
19	Chemotherapy treatment summary provided or communicated to practitioner(s) within 3 months of chemotherapy end	0	22	0.00%	2	Staging documented within one month of first office visit	1	2	50.00%
20	Chemotherapy treatment summary process completed within 3 months of chemotherapy end (defect-free measure, 17, 18, and 19)	0	22	0.00%	4	Pain intensity quantified by second office visit	1	2	50.00%
30	Baseline iron stores documented within 90 days prior to administration of ESAs	0	2	0.00%	4a	Pain intensity quantified by second office visit (Includes documentation of no pain)	1	2	50.00%
31	Hemoglobin < 10 g/dL documented within 2 weeks prior to administration of ESAs	1	2	50.00%	6	Pain addressed appropriately (defect-free measure, 3, 4, and 5)	1	2	50.00%
32	Appropriate documentation prior to administration of ESAs (defect-free measure, 30 and 31)	0	2	0.00%	15	Patient consent documented in practitioner note	0	1	0.00%
					22	Smoking cessation counseling recommended to cigarette smokers by second office visit	0	2	0.00%
					23	Smoking cessation administered appropriately (defect-free measure, 21 and 22)	0	2	0.00%

Clinical Quality Initiatives

Example

Improved QOPI Measures

Placeholder for QOPI-related Incentive: This will be detailed pursuant to the identification of priority QOPI measures for improvement

Improved QOPI Measures				
Potential Incentive		Current Performance	Goal	Payment Range Example
2	Staging documented within one month of first office visit	76.00%	80%	25%
15	Patient consent documented in practitioner note	28.57%	80%	25%
17	Chemotherapy treatment summary completed within 3 months of chemotherapy end	4.55%	80%	25%
18	Chemotherapy treatment summary provided to patient within 3 months of chemotherapy end	4.55%	80%	25%

Disclaimer

Our Services were performed and this Report was developed in accordance with our engagement letter and are subject to the terms and conditions included therein.

Our Services were performed in accordance with Standards for Consulting Services established by the American Institute of Certified Public Accountants ("AICPA"). The procedures we performed did not constitute an examination or a review in accordance with generally accepted auditing standards or attestation standards.

Accordingly, we provide no opinion, attestation or other form of assurance with respect to our work or the information upon which our work was based. We did not audit or otherwise verify the information supplied to us in connection with this engagement, from whatever source, except as may be specified in this Report or in our engagement letter.

Our work was limited to the specific procedures and analysis described herein and was based only on the information made available through August 31, 2011. Accordingly, changes in circumstances after this date could affect the findings outlined in this Report.

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